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ATTORNEY GENERAL DARRELL V. MCGRAW, JR. MAKES WAVES WITH WATER TREATMENT SYSTEM SETTLEMENT

Attorney General Darrell V. McGraw, Jr. recently secured an Agreement with an Ohio manufacturer of water treatment systems, Kinetico Incorporated, in which the company took responsibility for the unlawful sales practices of its independent dealer, Crystal Clear Water, formerly based in Fairmont, West Virginia. In the Agreement, Kinetico promised unconditional refunds and cancellation of loan obligations to approximately 80 West Virginia consumers who purchased Kinetico systems from Crystal Clear Water for amounts sometimes exceeding \$4,000. Kinetico also promised a free inspection, repairs and service, and an extended factory warranty to consumers who wish to keep their Kinetico systems. Kinetico also agreed to prohibit its dealers from using credit card financing, to pay \$5,000 to the Consumer Protection Fund, and to install a system in the home of a needy consumer designated by the Attorney General.

Attorney General McGraw opened an investigation last year after numerous West Virginia consumers complained about telephone calls from an "independent water testing company" offering free in-home water quality tests. The telemarketers implied that the tests were being conducted for the government or other public purpose and refused to disclose that the company sold water treatment systems even when asked directly by consumers.

The Attorney General's office learned that the telemarketers were employed by Robert Edward Wise and Kimberly F. Wise of Fairmont, West Virginia, doing business as Crystal Clear Water. The Wises had a dealer agreement with Kinetico to sell its water treatment systems.

Further investigation disclosed that Crystal Clear Water was financing the expensive water treatment systems by placing them on credit card accounts through Conseco Finance Corp. (Conseco) of St. Paul, Minnesota. The Attorney General's office has vigorously opposed this practice, known as "bogus" or "spurious" open-end credit, when used in door-to-door sales of big ticket items like satellite dishes and water treatment systems. Federal law prohibits "open-end" financing in consumer sales when the creditor does not have a legitimate expectation of future purchases on the account.

In the Agreement with Kinetico, the Attorney General's office alleged that Crystal Clear Water engaged in numerous other unfair or deceptive sales practices, including failure to have a contracting license to install the system; misinterpreting the results of in-home water tests to mislead consumers about the quality of their water or their need for a water treatment system; making claims and representations about the ability of its water treatment systems to prevent or provide relief from certain health or medical conditions or to remove or minimize certain pollutants, contaminants, and microorganisms in consumers' water when such claims could not be substantiated by competent and reliable scientific evidence; using a wide range of misrepresentations, exaggerations, hyperbole, and "scare tactics" to persuade consumers that their water was not safe to drink; misleading consumers about the terms and conditions of financing; and inducing consumers to purchase water treatment systems by promising to deliver \$2,600 worth of soap products when it had no intention of doing so.

Attorney General McGraw explained, "The unlawful sales practices of Crystal Clear Water are not unique and, in fact, continue to be employed by other dealers in West Virginia and across the nation. Sadly, such practices appear to be representative of how the water treatment system industry markets its products. However, my office is determined to permanently change the way such systems are sold in West Virginia. Although we found Kinetico did not engage in any wrongdoing, the unlawful sales practices of dealers will not end until manufacturers are held responsible for their dealers' conduct, and I commend Kinetico for agreeing to do so in the case of Crystal Clear Water."

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